MERCHANDISER

Creating a cosmetics dept. for today's shopper

ORLANDO, Fla. — With America getting grayer, retailers and manufacturers must ask themselves if they're prepared to satisfy the needs of the older shopper.

That was one of the key points raised by Jay Forbes, Deborah Malone and Faye Brookman of *Drug Store News* during their presentation to the National Association of Chain Drug Stores' annual cosmetics/fragrance meeting last month in Orlando.

"We've all heard America is getting grayer. What will that mean to suppliers and retailers who are avidly pursuing the under-24-year-old market?" Forbes asked. "Do you abandon the chase, change direction completely or begin shifting emphasis?"

He suggested that aging baby boomers do not suddenly stop trying new brands. In fact, he stated the older generation will probably be more likely to test products that retard the aging process, including sun screens, collagen creams and lip repair items.

It was with the older shopper in mind that *Drug Store News* turned to *Better Homes and Gardens* to complete consumer research via the magazine's consumer panel.

The panel consists of 1,000 women in a wide geographic range. Fifty-four per cent of the *BH&G* Consumer Panel are employed, 62% are college educated and 89% are part of families who own their own homes. The median market value of those homes is $74,708.

In terms of household income, 76.4% earn $20,000 or more. In other words, this is a group of women with hefty discretionary income levels. Because most of them work, they are heavy cosmetics users.

Following are some of the results of the findings:

The best news is that this group prefers to shop a drug store for cosmetics. Of the sample, 44.4% opted for a drug store. Close on the heels of the drug store, however, is the department store with 37.8% of the responses. Discounters are also gaining ground with this mature shopper with a 30.8% preference rating. Supermarkets were selected by 18.3%, specialty stores 8% and door-to-door salesmen 22%. The remainder purchased cosmetics via other outlets or do not buy cosmetics. (The figures add up to more than 100% because of multiple responses.)

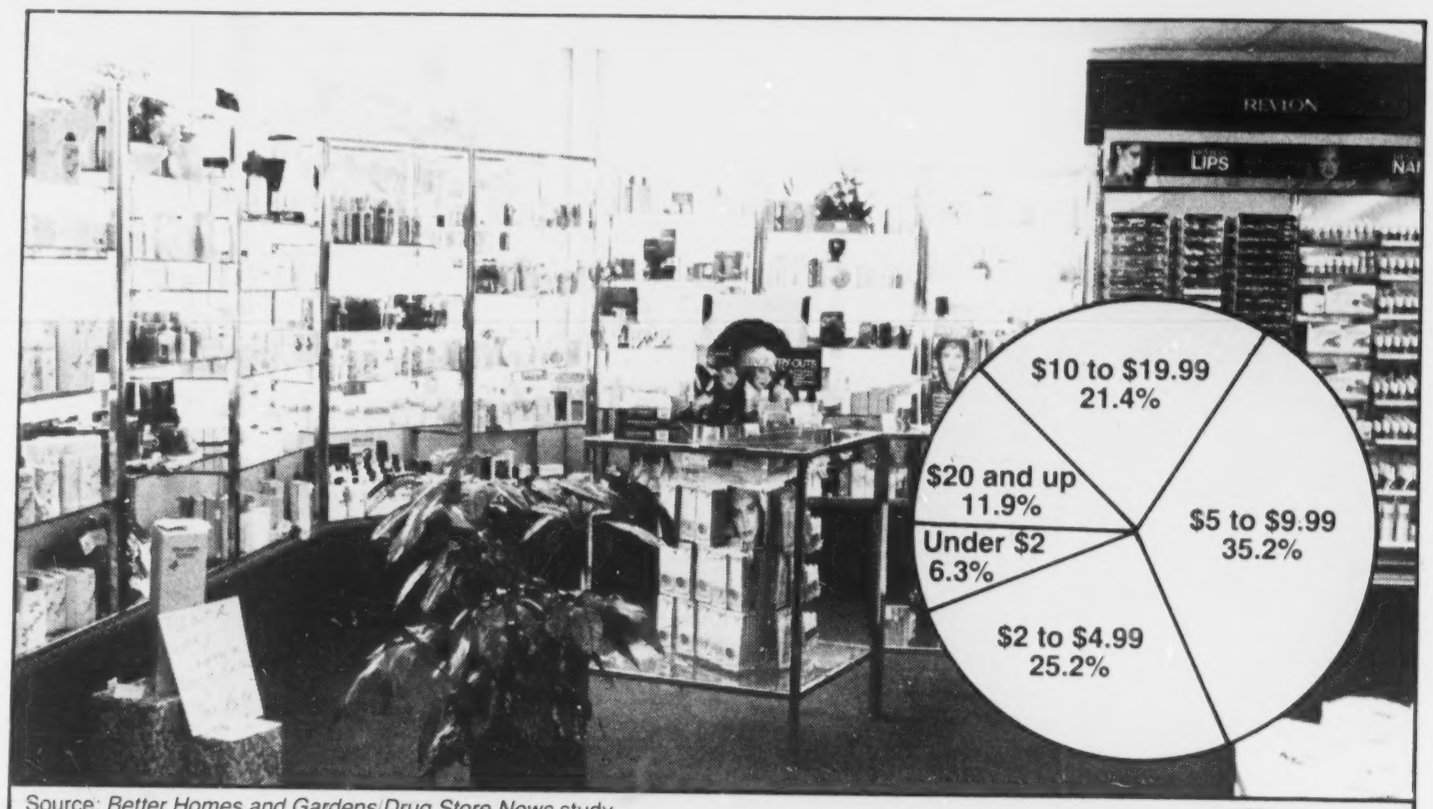
Although drug stores were the preferred outlet, this mature audience does appear to appreciate the department store atmosphere.

Emulate department stores

"This could suggest," Malone said, "that drug stores ought to do more to attract the mature shopper. Perhaps one route for retailers is to continue to upscale their departments and create more of a department store ambience."

The presentation was peppered with remarks from leading retailers and manufacturers. One such source was Arne

Continued on page 25



Source: *Better Homes and Gardens/Drug Store News* study

Drug Store News presentation at NACDS cosmetics conference

NAILS
Action taken when preferred product not available in favorite store
Go to different type store 39.0%
Go to another store of same type 33.8%
Find out when product would be available 12.9%
Switch brands and buy substitute product 13.6%
Don't know no answer 0.7%
Source: Better Homes and Gardens Drug Store News study

How consumer advertising affects cosmetics buying habits

Look for trial size	44.1%
Not influenced by ad claims	37.5%
Ask salesman for recommendation	4.9%
Wait for relative or friend to try first	4.1%
Immediately make purchase	3.6%
No answer/don't know	5.8%

Source: *Better Homes and Gardens/Drug Stores News* study

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Brand loyalty toward cosmetics

Always buy brands-never try others	20.2%
Usually buy favorite brands-sometimes try others	62.3%
Purchase equally favorite and other brands	13.4%
Constantly try other brands	2.9%
Don't know/no answer	1.2%

Source: *Better Homes and Gardens/ Drug Store News* study

Drug Store News presentation at NACDS cosmetics conference

Customer preference—service vs. self service

Clerk available if needed	32.6%
Trained cosmetician for guidance	21.2%
Serve yourself in store	34.5%
Sales conference at home	10.2%
Don't know/no answer	1.5%

Source: *Better Homes and Gardens/Drug Store News* study

Today's cosmetics shopper: mature and brand loyal

Continued from page 24

Zimmerman, sr. vp of L'Oreal, who elaborated on the department store situation. He suggested that department stores will once again become more powerful in cosmetics and add selling space for middle-of-the-road brands including L'Oreal.

As for food stores, both Zimmerman and Neil Roth, president of Rome, N.Y.-based Carls, maintained that food stores will never acquire the merchandising flair required to adequately sell cosmetics and fragrances.

The *BH&G* study found that there was a great range in cosmetics spending patterns. Most of the transactions were between $5 and $10. However, 12% spend $20 or more each time they shop.

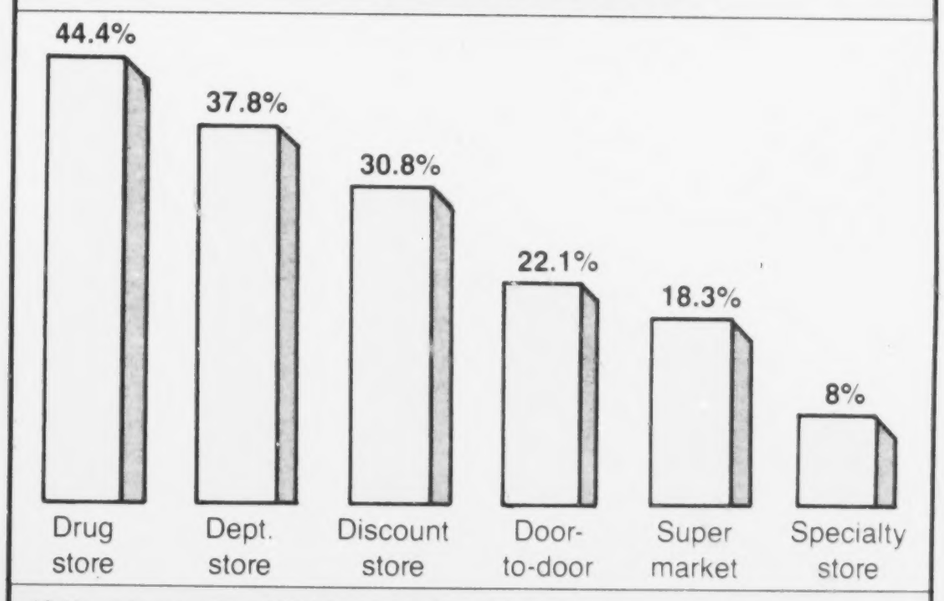
"We feel this clearly indicates that there are no longer the price-point guidelines that existed five years ago," Brookman told the group. "We'd like to suggest that stratification has replaced the high/low disparity present in the last few years. Perhaps these guidelines are breaking down as shoppers with higher incomes opt for quality and value."

The speakers suggested that new pricing strategies might be in order. "Do you upscale and risk losing the budget-minded shopper or will you offend the prestige manufacturer by merchandising his line alongside a 99¢ brand?" Brookman asked.

Following the speech, retailers told *Drug Store News* that they face a major problem deciding how to upgrade without losing the budget shopper. Most reported that they try to separate the products. Many house the upscale selection in service islands while the lower-end goods are given pegged wall space.

The older shopper tends to be very brand loyal, according to the study, with 20.2% stating they always buy their favorite brand and 62.3% responding they usually buy a favorite item and only sometimes try something new.

Outlets most frequented for cosmetics purchases*



*Adds up to more than 100% because of multiple responses
Source: *Better Homes and Gardens Drug Store News* study

Try trial sizes

This poses a problem for manufacturers launching new products. It also makes it difficult for new vendors to entice customers to switch brands. Malone suggested manufacturers use trial sizes to capture new users. Brookman added that creating product innovations, such as L'Oreal has done with mousse and Arden with Lip Fix, also creates new users.

To underline the importance of trial sizes, Malone showed the results from the survey which showed how consumers are affected by advertising. Almost 38% said they are not influenced by ad claims, about 5% said they'd ask a clerk about an advertised item while 4% said they'd wait for a friend's endorsement. However, a strong 44% indicated they would buy a trial size.

"Not only does it satisfy a woman's business and travel needs, but is a practical choice for the value-conscious shopper," Malone explained.

Praise for cosmeticians

During the speech, Brookman and Malone talked about the importance of a cosmetician. More than half of those surveyed expressed a need for some kind of assistance in the store. Almost 1 in 4 actually preferred a trained cosmetician. Chains attending the conference agreed that today's woman demands more assistance than ever before.

As a concluding thought, Malone pointed out that there is potential in the body care and foot care segments of the market.

"Although women currently place emphasis on body toners and foot care products, these two areas could hold good potential," Malone said. She suggested manufacturers pump money into developing and promoting products for these areas of the body.

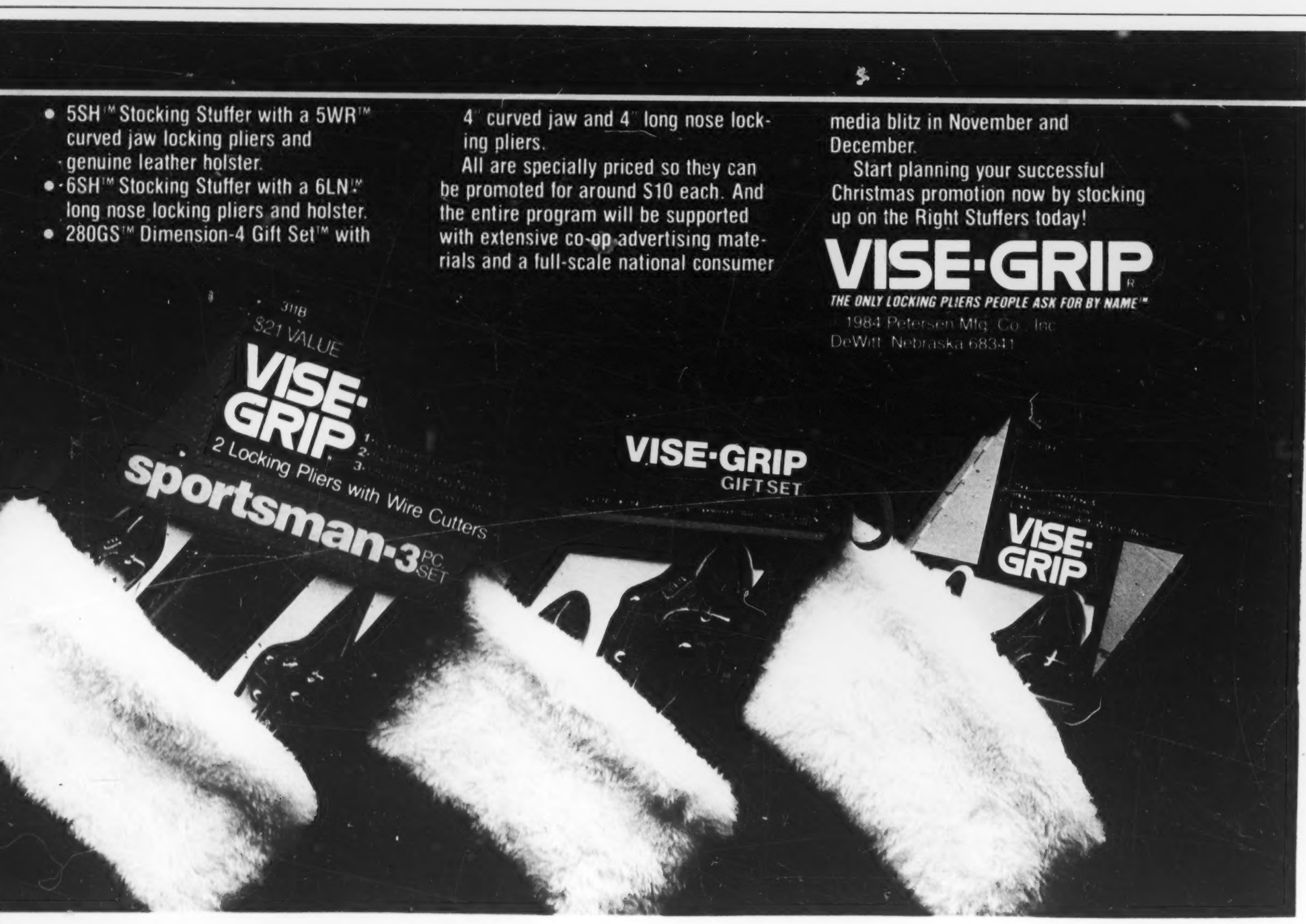
In their concluding remarks, Malone and Brookman cautioned retailers to gear up for the aging of the baby boom.

"Drug stores already have an investment in the older shopper . . . they should work to satisfy this group's shopping needs."

Cosmetics shoppers using beauty care products

Hair care	82.7%
Hand care	82.7%
Fragrances	81.5%
Skin care	81.5%
Eye care enhancement	61.6%
Body toners	42.8%
Foot care	26.0%

Source: *Better Homes and Gardens Drug Store News* study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Nielsen vp says chains losing race for H&BA sales

Continued from page 3

Dick Schaefer, vice president of H&BA for Majors Corp., and Richard Aubry, the company's marketing manager, presented data that suggested that such a reversal might indeed be under way. The firm specializes in ad and promotion analysis.

In the first quarter of 1984, after two years of reducing ad space for H&BA, drug stores increased ad space in that category by 27%, Majers discovered.

At the same time, they said, food and mass-merchandise stores were devoting less space to H&BA.

Aubry and Schaefer said they saw this return to increased drug chain emphasis on core H&BA items as a "positive shift that should be continued."

They said the way to regain and continue to experience momentum with H&BA products is by aggressively using lead features and hot prices.

"Aggressive tie-ins in Sunday ads backed up with store displays will dramatially increase volume," they advised.

In other presentations at the show, Allen Karcher, director of Trade Relations for Eastman Kodak, and Vincent S. Zuccaro, vice president of professional services for Barnes-Hine Hydrocurve, discussed new trends in the photo and eye care category, respectively. Dave Robinson, national marketing manager for Hallmark, and Bill Marter, national sales director for Ambassador, discussed trends in the greeting card category.

Howard Stumpf, president of the Point of Purchase Advertising Institute and John Kawula, vp, discussed the preliminary findings of their 1983 drug store consumer buying habit study. A full in-depth analysis of that study will be presented in *Drug Stores News'* Dec. 10 issue. For the results of the initial findings, please see our April 16, 1984 issue.

How drug stores compare with food and mass-merchandise stores on H&BA category growth
(Index of dollar sales growth for the period ended Jan. 1, 1984)

Category	Drug index	Food index	Mass-merchandise index
Home waves	359	516	428
Disposable diapers	223	275	260
Headache remedies	234	245	258
Sanitary protection	207	229	270
After shampoo	212	233	236
Sinus Relief products	180	256	273
Feminine douches	177	260	265
After-shave lotions	198	224	214
Dentifrices	188	203	228
Hand lotions	189	228	194
Shaving cream	169	207	183
Cold tablets	172	201	196
Shampoo	163	191	195
Hair fixtures	170	190	190
Deodorants	162	183	192
Mouthwash	155	188	174
Razor blades	166	175	177
Face creams	149	228	188
Stomach remedies	153	180	178
Foot remedies	156	209	155
Hair coloring	156	177	166
Multiple vitamins	126	282	219
Bath additives	126	148	127
Men's hair preps	128	148	127
Topical antiseptics	114	118	110
Total H&BA Index	176	218	210

*Index is based on Jan. 1, 1977, equaling base of 100
Source: A. C. Nielsen

Revco tops $2 billion in sales

Continued from page 3

rounding the incidents also battered the price of Revco stock, although the stock has recovered somewhat.

But despite the pending legal action, Revco continues to impress most analysts who follow the chain. The Odd Lot acquisition has been heralded as a "natural extension" for the company. Odd Lot finished the fiscal year with sales of $256 million and net operating income of $12.2 million. Revco plans to open approximately 60 new Odd Lot stores during 1985.

The drug store division also shows signs of steady growth, one analyst noted. Although there has been some concern expressed over the softer 9.3% like-store sales gain in the fourth quarter, same-store sales for the fiscal year rose 12.3%. Pharmacy sales also advanced 12.3%.

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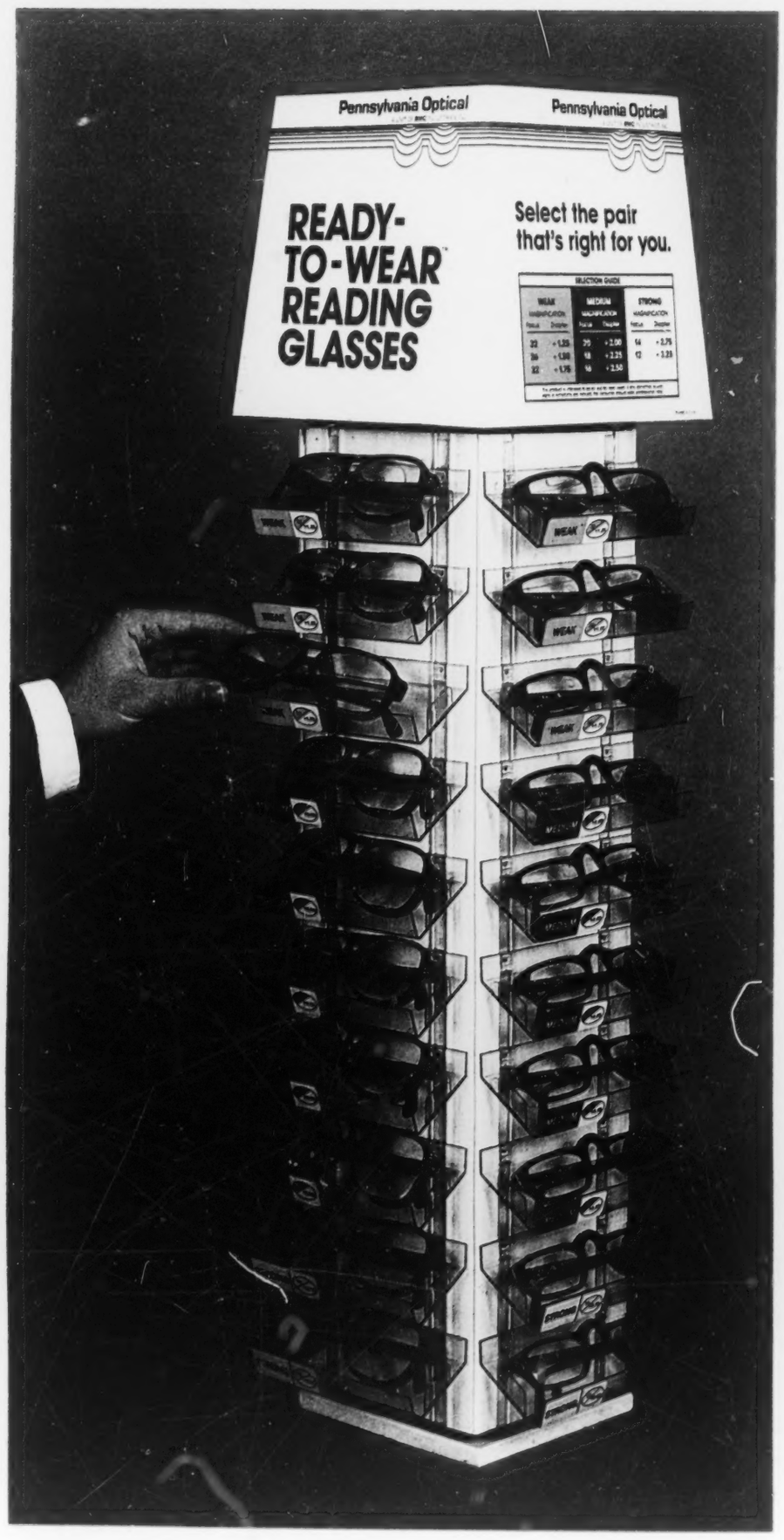

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MERCHANDISER
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PHARMACY
Survey of the Top 100 Rx products—p. 31

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DRUG STORE NEWS

Vol. 6/No. 18 | Serving the Retail Drug Store Industry for 55 years | Published by Lebhar-Friedman Inc. | August 20, 1984

Big B plans Rx, POS computer link

By Elizabeth Parks

BIRMINGHAM, Ala. — Big B, a 100-unit drug chain headquartered here, is currently installing a new stand-alone pharmacy computer system that could ultimately be used to manage the entire store, not just the pharmacy department.

After the installation is complete, probably by the fall of this year, Big B plans to install "communicating" electronic point-of-sale cash registers in one or two "test stores," and to link or "integrate" them with the new pharmacy software systems within those stores.

If the test is a success, Big B could become the industry's first major chain to operate a fully integrated automated store management program. Many chains now have stand-alone pharmacy computer systems in their stores as well as electronic cash registers, but as far as *Drug Store News* has been able to determine, Big B would be the first chain to install chainwide a stand-alone microcomputer system that has the capacity to "talk to" and "collect information from" communicating point-of-sale registers.

At least four other chains, however, are testing such a system within select stores, including Rite Aid. In addition, the McKesson Corp. has announced that it will be making a comparable system available for the first time to both independents and chain retailers starting this fall.

Pay 'n Save, a Seattle-based operator of 143 "super" drug stores, averaging over 22,000 sq. ft. in size, is also installing a comparable system (see related story, page 2). However, management says a fully integrated automated program is not yet in reach.

Jim Bruno, equipment buyer for Big B Drugs, says that Big B is "not definite yet" as to exactly when it will install "communicating" electronic point-of-sale registers that will start the test, but it probably will be "around the first of next year.

"Eventually we know we need to be there," he said, "but our first priority now is to complete the roll-out of the stand-alone computers, then we'll begin tying the Rx computer to the front end."

Big B has been using an on-line pharmacy computer system for the past four years, but in February, the chain began rolling out a new system composed of an

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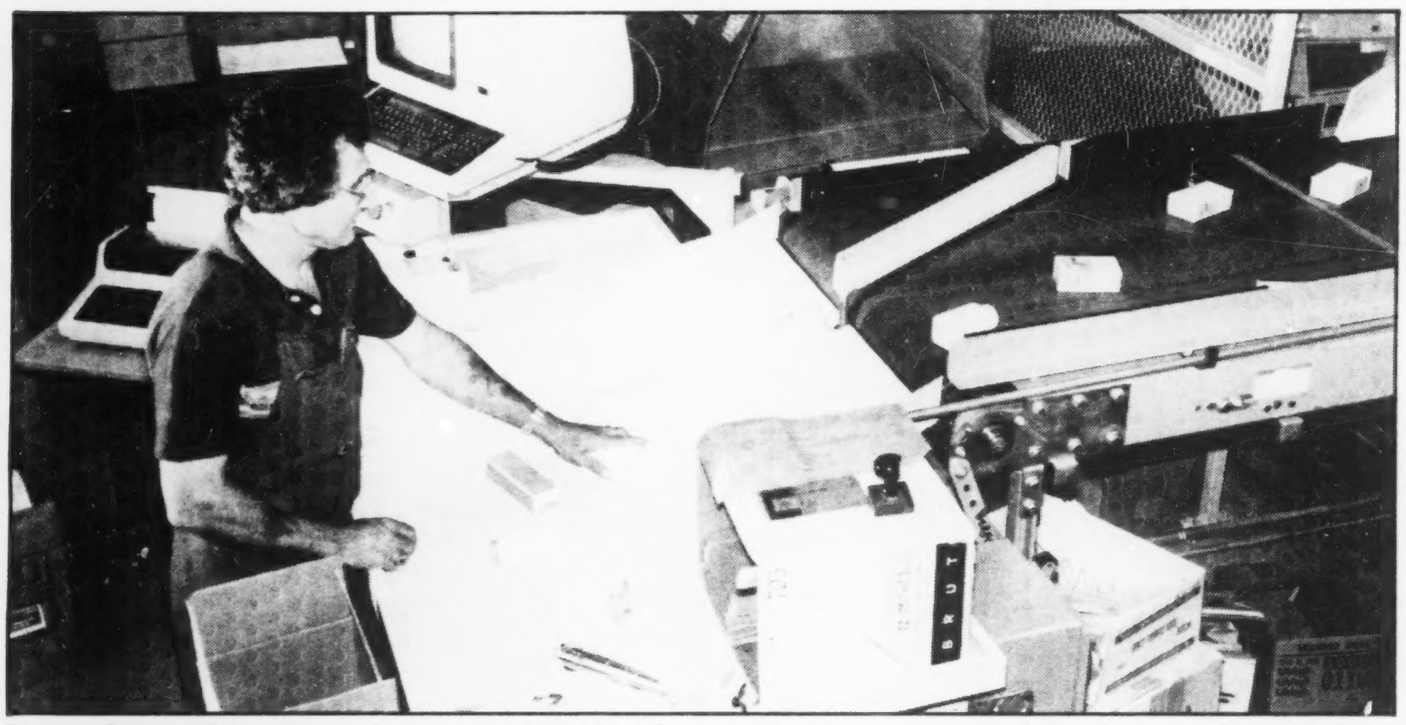

Bergen Brunswig execs say the automated pick of fast-turning pharmaceuticals has increased productivity.

Bergen warehouse testing Itematics

LOS ANGELES — Bergen Brunswig is testing an automated order-picking system that is currently averaging a picking rate of just over 1,000 lines per hour, "10 times faster than humans," executives say.

The test, which has been under way since February, consists of two automated picking stations located in Bergen's San Jose distribution center.

The two machines, which hold 1,700 pharmaceutical items between them, are currently filling 75% of Bergen's invoice lines of prescriptions.

Bergen's chairman of the board, Emil Martini Jr., says he expects the $750,000 system to pay for itself "within three and a half years."

"Clearly we expect to expand the system to other facilities," he said, "but whether it will be this system or a system produced by another manufacturer we are not sure yet."

Like Walgreens, Bergen is using an automated order-picking system made by Itematics.

The system's price tag includes both hardware and software which has been redesigned to allow Bergen to integrate the new controller system with computer applications already in use within Bergen's various facilities.

Martini says that of Bergen's current 50 distribution facilities, "10 are potential candidates for the automated order

Continued on page 62

Rite Aid buys 18-store discount bookstore chain

By Gail Appleson

PHILADELPHIA — Rite Aid cut another notch in its strategic planning yardstick with the purchase of the Philadelphia-based Encore discount bookstore chain.

Encore currently has 18 stores with plans to open an additional three—all in the Philadelphia market—within the next few months. The chain's revenue was $10.2 million for the fiscal year ended Jan. 31.

The purchase completes Rite Aid's previously announced plans to venture into three new retail markets: auto parts, toys and books. In March, Rite Aid bought ADAP, a discount auto-parts chain, and in 1982, it acquired Circus World toy store chain.

Financial analysts said that while Encore's revenues are small in comparison to Rite Aid's $1.2-billion-plus, they would—together with the other diversified retail operations—help boost corporate sales growth by a few percentage points—thus increasing the value of the company's stock.

Industry sources cited several factors that made Encore attractive as an acquisition target:

- It is dominant in Philadelphia.
- It has potential for growth.
- Individual stores generate sales slightly higher than the industry average.

Encore is frequently compared with Crown Books, owned in part by the Dart Corp. and Thrifty Corp. Although Crown is a much larger chain, with 163 stores and revenues of $91.4 million at the end of the fiscal year ended Jan. 31, sales per store are similar to that of Encore's—in the $700,000

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Late News

TRANSMED, the home health care affiliate of the Hospital Corporation of America, has agreed in principle to acquire Johnson & Johnson's Home Health Care Inc., consisting of home health centers in Dallas and Houston, and Long Beach, Calif. Terms were not disclosed.

THE PNEUMO CORP., the diversified aerospace, food and drug concern whose holdings include Carls Drug, confirmed that it may be the target of a takeover by an unidentified company. Pneumo, which is traded on the New York Stock Exchange, closed at $35.25 Aug. 6, up nearly $2.50 in heavy trading.

SUPERX DRUG opened its first home health care center in a 5,000-sq.-ft. (3,300 sq. ft. selling) facility in Madison, Tenn., just north of Nashville. The mix includes wheelchairs, patient room equipment, walking aids, respiratory therapy products and urological and incontinence items.

ACPE CONTINUING EDUCATION PROGRAM
Computer memory: How it works—pp. 23-30.

Picture looks bright

Chains cashing in on video rentals

By Jim Ricchiuti

NEW YORK — Video rental departments are emerging as an important new profit center for many drug chains throughout the country.

In the past year, a number of drug retailers have begun leasing out space to independent video wholesalers, or have begun installing company-operated movie departments in their stores. For example:

- Douglas Drug, a 10-store chain based in North Providence, R.I., has invested more than $25,000 per store in a sophisticated video rental department that is monitored at the store level by individual stand-alone computers.
- The Portland, Me.-based Wellby Drug has invested even more in its new video departments. Wellby, a division of Hannaford Bros. Co., which also operates Shop 'N Save su-

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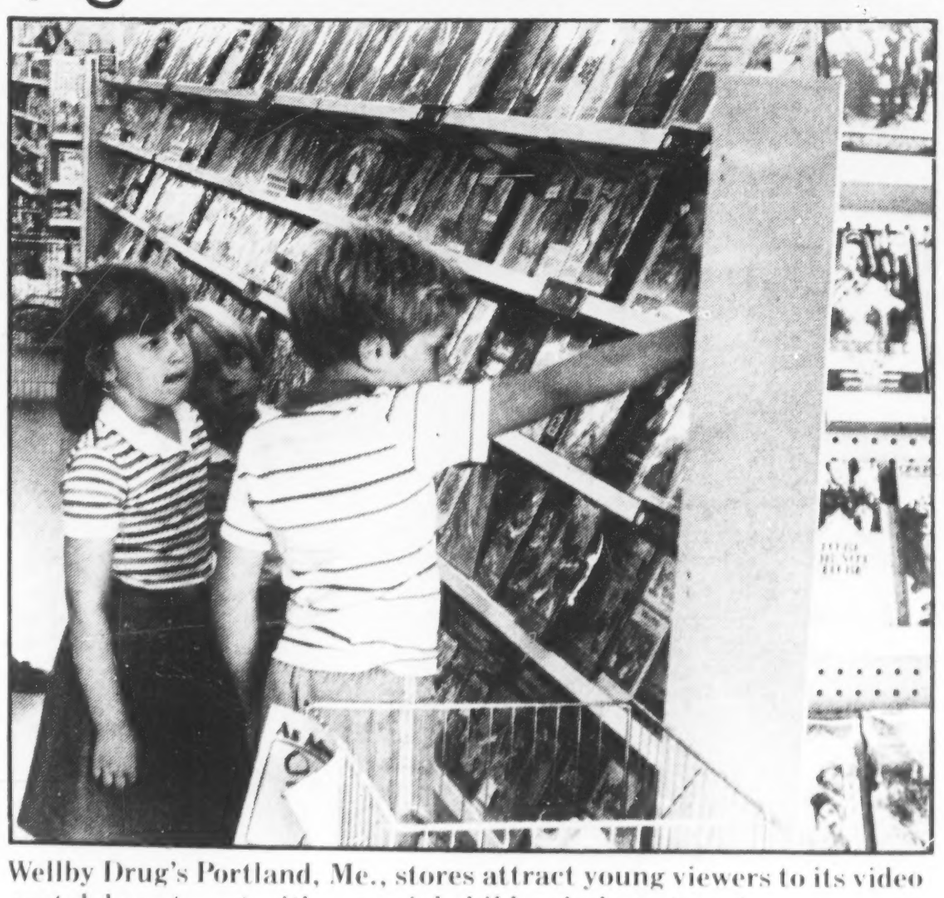

Wellby Drug's Portland, Me., stores attract young viewers to its video rental department with a special children's department.

House unit approves compromise patent bill

WASHINGTON — The House Judiciary Committee has passed a controversial Abbreviated New Drug Application/Patent Term Restoration bill despite strong reservations voiced by Reagan Administration officials and outspoken opposition from a coalition of the nation's largest drug firms.

The bill, which represents a major trade-off between brand-name manufacturers and the generic drug industry, would restore up to five years of patent life lost during the Food and Drug Administration regulatory review process.

At the same time, the version approved by the committee would allow generic manufacturers to use fast-track ANDA's for generic versions of drugs marketed after 1962.

Although opponents of the legislation support the concept behind the bill, they have vigorously pushed for changes in key provisions of the measure. However, at presstime they appeared to be losing the battle.

Before passing the ANDA/Patent Term Restoration bill late last month, the Judiciary Committee rejected numerous amendments offered on behalf of the Reagan Administration and the coalition.

The coalition consists of 11 "dissident" drug manufacturers who oppose the Pharmaceutical Manufacturers Association's decision to back the pending bill.

While it may be too late to change the House bill, unless amendments are allowed when the full House considers the measure, at presstime the door was still wide open on the Senate side.

The Senate Labor and Human Resources Committee was scheduled to vote on the Senate bill, which is almost identical to the House measure, this month.

According to Rep. Carlos Moorhead (D-Calif.) some members of the Senate Labor and Human Resources Committee will bring up the same types of amendments voted down by the House Judiciary Committee.

A key amendment rejected by the Judiciary Committee would have lifted the bill's restrictions that only the first patent on a product is eligible for an extension.

According to Rep. William Hughes (D-N.J.), who offered the amendment, the bill does not encourage the owners of a product patent to invest the sums needed for research and development to find new uses for the already patented drug.

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—News in brief—

Supermarkets General's sales rise 10.5%

WOODBRIDGE, N.J. — Supermarkets General Corp., operators of Pathmark Supermarkets and drug stores, reported that sales for the four-week period ended July 28 rose 10.5% to $291.6 million from $263.8 million during the same period last year.

For the first 26 weeks of the current fiscal year, the company said sales are up 8.1% to $1.86 billion from $1.7 billion during a comparable period last year.

Pneumo opens first combo

LEBANON, N.H. — Pneumo Corp.'s first combination store, which unites a P&C supermarket and Carls Drug store under one roof, opened here last month in a 48,000-sq.-ft. site. The mix is 70% food and 30% drug.

Opening-day traffic was brisk, according to a Carls spokesman. Prescription business is getting a good start, he added, as a result of 45,000 $10-off coupons mailed to area residents. The combo was also announced to consumers via a 48-page tabloid ad in local papers.

Jay-Jay's opens in Syracuse

SYRACUSE — S. M. Flickinger Co., a Buffalo, N.Y.-based food retailer, has opened a 25,000-sq.-ft deep-discount drug store called Jay-Jay's. This is the first deep-discounter to try to crack the Syracuse market since Carls drug converted its Cost-Rite store back to a traditional drug store two years ago.

New name for Begley

RICHMOND, Ky. — The 63-year-old Begley Drug Co. last month changed its name to Begley Company to reflect its diversified operations.

In addition to its 45 drug stores, Begley operates four home health care centers and two jewelry outlets, all in Kentucky, and 108 dry cleaning outlets in eight states.

Chuinard opens new firm

TROY, Mich. — Perry Drug Stores health & beauty aids buyer Bernie Chuinard has left Perry to start his own H&BA brokerage firm called Ber-nard Marketing.

Ber-nard Marketing represents products made by several H&BA manufacturers including W. W. Wrigley; DeWitt; O'Connor; Windmill Vitamins and Pfizer Pfipharmecs. The new company also offers market and sales analysis for the food and drug trade, mass merchandisers and wholesalers.

Chuinard joined Perry in 1965 as a stock clerk. Since 1979, he was H&BA buyer for the 120 drug stores.

Rix buys JAX store

AUBURNDALE, Mass. — Rix Corp. has acquired the JAX Discount Health & Beauty Aid Store in the Jamaica Plain section of Boston.

According to Richard Weinberg, president of the 108-store chain, Rix purchased the 6,000-sq.-ft. unit following the death of the owner. Rix is remodeling and remerchandising the store and "volume has already doubled."

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Vol. 6, No. 18 August 20, 1984

Pay 'n Save's store automation nears completion of first phase

SEATTLE — Pay 'n Save, one of the industry's first major chains to put "communication capacity" electronic point-of-sale terminals with scanners into all of its stores, should be finished with the first phase of its roll-out by September.

The 143-unit chain, which first began testing "communicating" electronic scanning point-of-sale last February, should have 13 Puget sound stores completed by September.

Sources say management plans at that point to stop to "fine tune and modify" the new applications the system will provide, then continue with another major installation push next year. Pay 'n Save has said that it plans to complete the chainwide roll-out in three to four years.

In the 13 stores that will have the new system this year, Pay 'n Save will be implementing the industry's first semiautomated store management program. Eventually the chain plans to include its computerized pharmacy application programs into the system to create a fully automated store.

Right now the 13 Pay 'n Save stores that have the EPOS scanners are technically capable of fully automating the store. However, it will be a long and tedious process before Pay 'n Save can transfer the data from its existing pharmacy computer system into the super microprocessor that will one day manage the entire store.

The supermicro, NCR's Tower 1632, is now operational in the 13 pilot stores, but it is currently only handling a limited number of applications such as shelf labeling, file maintenance and spread sheets.

Over the course of the next year, the applications will expand to include gross-margin analysis, shelf-label audits, inventory control, daily sales reports, direct-store deliveries, labor scheduling, time and attendance reports, electronic mail, order entry, word processing and eventually pharmacy applications.

The system, when it is fully effected, will resemble what Big B will be testing with National Data Corp and TECH

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NWDA, DWA set to merge; group seeks stronger voice

ALEXANDRIA, Va. — The National Wholesale Druggists' Association (NWDA) is expected to give the go-ahead to a merger with the Drug Wholesalers Association during an NWDA membership meeting here Aug. 27.

The merger was previously approved by DWA's membership and NWDA's board of directors. Final authorization rests with NWDA's members.

Both groups have been pushing for the action, believing that if unified, they would have a stronger voice with Government representatives.

If the merger is approved, the combined group would operate under NWDA's name, and each corporate entity, regardless of size, would be entitled to one vote. Currently NWDA allows wholesalers one vote for each distribution center—thus a total of 356 votes. NWDA also has 333 associate (nonvoting) members, who are manufacturers. The NWDA represents between 65% and 70% of the drug wholesaler industry.

DWA has 60 voting members representing 200 distribution centers, and 140 associate (nonvoting) members, also manufacturers. If the merger is approved, the new NWDA would represent 95% of the drug wholesaler industry.

There is currently an overlap in the groups' memberships with 40 of DWA's 60 voting members belonging to NWDA.

It is expected that the DWA's annual meeting, scheduled in Hawaii during February, will still be held but as an NWDA forum for wholesalers with smaller numbers of distribution centers.

Charles Treffrey, DWA executive vp, has resigned to become NWDA's vp and coo.

Genovese store plan calls for 10% increase

NEW YORK — Strategic growth plans at Genovese Drug Stores call for a yearly 10% increase in new stores, and chain chairman and president Leonard Genovese expects most of that growth to come from existing markets. In fact, Genovese believes the chain can eventually double the number of stores within its trade area.

The 79-store Melville, N.Y.-based chain operates in some of the most heavily populated and lucrative markets in the country. "Our markets [metropolitan New York, New Jersey, Connecticut and Massachusetts] have 10% of the nation's population and 20% of the disposable income," Genovese pointed out.

Although the chain has avoided Manhattan—the heart of New York City's business and cultural activities—Genovese hinted to a recent gathering of retail analysts that the chain might take a stab at the Big Apple.

"We will perhaps go into Manhattan shortly," he told the group, but would not elaborate.

Genovese said the chain should have no problem meeting its growth goals. For example, he said Long Island could accommodate up to 12 more stores, Staten Island three or four and "it's wide open in New Jersey."

Currently, according to Genovese, Pathmark is the biggest competitor. However, he feels Pathmark's combo shoppers differ from those who use Genovese for drug store needs.

"They have their peas and canned goods—we have our items," he said. "And we have the right locations and fair prices. You don't have to be the lowest on the block . . . but you must have quality merchandise."

He also responded to ana-

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PLEASE NOTE

The National Merchandise Show will be held at the New York Coliseum September 8 through 11, 1984. Open Saturday through Tuesday.